



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

AMERICAN HEALTH PLAN OF UTAH, INC.

of

Franklin, TN

as of

December 31, 2021



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May 19, 2023

Honorable Jonathan T. Pike, Commissioner
Utah Insurance Department
4315 S 2700 W, Suite 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

AMERICAN HEALTH PLAN OF UTAH, INC.
Franklin, TN

hereinafter referred to in this report as “AHPU, the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

This is the first full-scope examination of the Company since inception. The examination was part of the multi-state coordinated examination of the regulated insurance entities within the American Health Companies, LLC. (AHC) group wherein the state of Tennessee was the lead state. The examination was conducted by representatives of the Utah Insurance Department (Department) and covers the period of March 9, 2020 (date of the inception), through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting

Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There are no significant findings for inclusion in this report.

COMPANY HISTORY

General

The Company was formed in November 2019 as a wholly owned subsidiary of American Health Holdings of Utah, LLC (AHH UT), a subsidiary of American Health Holdings, LLC (AHH), a Tennessee limited liability company and subsidiary of AHC. AHH UT is owned 40.36% by AHH, 40.36% by Cascadia ISNP Holdings, LLC, a Delaware limited liability company (Cascadia), 4.8% by Sunshine Terrace Foundation, Inc., a Utah nonprofit (Sunshine), 7.24% by Cascades Healthcare, LLC, a Utah limited liability company (Cascades), and 7.24% by Mission Health Services, a Utah nonprofit (Mission), who own the above listed percentage interests of AHH UT and together fund AHPU's capital needs.

The Company was licensed in March 2020 to underwrite business as a health maintenance organization (HMO) in the State of Utah. The Company's primary purpose is to sponsor a Medicare Advantage Institutional Special Needs Plan (I-SNP) in Utah within a managed care framework authorized by the Centers for Medicare and Medicaid Services (CMS).

The Company began selling its Medicare line of business in July 2021 and ended that year with 576 member months. The Company then entered the Idaho market with its Medicare product in the beginning of 2022.

Dividends and Capital Contributions

No dividends were paid in 2020 or 2021.

In March 2020, the Company received \$550,000 in capital contributions from AHH UT.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The following persons served on the Board of Directors as of December 31, 2021:

Name and Location	Principal Occupation
Michael D. Bailey <i>Franklin, TN</i>	Chairman of the Board, President and Chief Executive Officer <i>American Health Plan, Inc.</i>
Jeffery A. Bogle <i>Franklin, TN</i>	Treasurer, Chief Financial Officer <i>American Health Plan, Inc.</i>
Robin F. Bradley <i>Franklin, TN</i>	Secretary, Chief Operating Officer <i>American Health Plan, Inc.</i>

Committees

The Company does not have a separate Audit Committee. The entire Board of Directors retains the oversight function of the Audit Committee, which is allowable based on Utah Administrative Rule, R590-254-3(b). There were no other board committees as of December 31, 2021.

Officers

The following persons served as officers as of December 31, 2021:

Name	Title
Michael D. Bailey	CEO/President
Robin F. Bradley	COO/Secretary
Jeffrey A. Bogle	CFO/Treasurer

Holding Company

The Company is part of a holding company as defined in Utah Code §31A-16. The holding company's ultimate controlling person is Mark T. Mitchell.

The following organizational chart depicts only the Company's direct ownership as of 2021 year-end:



Transactions and Agreements with Affiliates

The following agreements were in place as of the date of this examination report:

Participating Skilled Nursing Facility Agreement

Effective November 1, 2020, the Company entered into three Participating Skilled Nursing Facility Agreements with the following entities: Sunshine Terrace Skilled Nursing & Rehab (Sunshine), Cascades Healthcare, LLC, and Mission Health Services. The purpose of these agreements is for patient care management and coordination.

On July 1, 2021, the Company entered into another Participating Skilled Nursing Facility Agreement with Cascadia ISNP Holdings, LLC.

Care Management Services Agreement

On January 1, 2021, the Company entered into a Care Management Services Agreement with TruHealth, LLC (formerly TruHealth, Inc.). This agreement is for TruHealth, LLC to provide care management services (including mid-level practitioners, RN case management, care coordination, etc.) as well as personnel and facilities.

Management Services Agreement

On January 1, 2022, the Company entered into an Amended and Restated Management Services Agreement with American Health Management Services, LLC (AHMS), in which AHMS provides management personnel, and administrative services (marketing, billing, claims administration, accounting, legal services, etc.), for which AHMS is paid a monthly fee equal to the greater of 11% of the aggregate monthly premiums paid, or \$95,000. In the event the Company exceeds membership of 600 residents/patients, the monthly management fee shall be 10.5% of the aggregate monthly premiums paid. Should the Company exceed membership of 2,000 residents/patients, the monthly management fee shall be 10% of the aggregate monthly premiums paid. Should the Company exceed membership of 3,000 residents/patients, the monthly management fee shall be 9.5% of the aggregate monthly premiums paid.

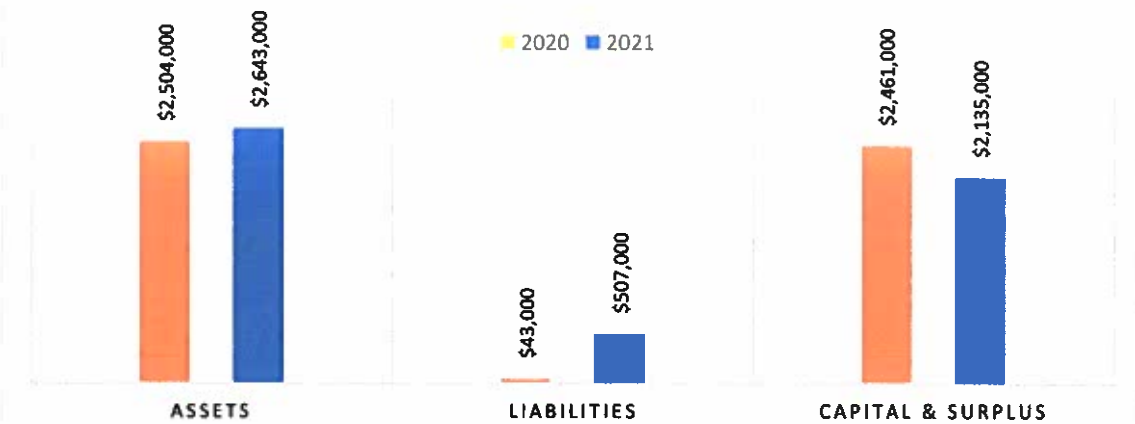
TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact health insurance business in Utah and Idaho. Its sole line of business is Medicare Advantage I-SNP.

GROWTH OF COMPANY

Assets held steady between 2020 and 2021, while revenues decreased slightly, which is common and expected for a new insurance company in the first year of operations. Capital and surplus saw a small increase, due in part to capital contributions. See the following graphs:

TOTAL ADMITTED ASSETS, LIABILITIES, CAPITAL & SURPLUS



Net Income



Sources: 2020 and 2021 Annual Statements

REINSURANCE

Assumed Reinsurance

As of the examination date, the Company did not assume reinsurance from any affiliated or third-party entities.

Reinsurance Ceded

The Company has an HMO Specific Excess of Loss reinsurance agreement with PartnerRe. This agreement was effective as of July 1, 2021, and covers a maximum of \$2,000,000 per covered person per agreement term.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

**AMERICAN HEALTH PLAN OF UTAH, INC.
BALANCE SHEET**

as of December 31, 2021

<u>Assets</u>	<u>Net Admitted Assets</u>
Cash, cash equivalents and short-term investments	\$ 2,409,697
Investment income due and accrued	5,168
Accrued retrospective premiums and contracts subject to redetermination	7,450
Amounts receivable relating to uninsured plans	218,461
Health care and other amounts receivable	1,810
Total assets	<u>\$ 2,642,586</u>
 <u>Liabilities, Capital and Surplus</u>	 <u>Current Year</u>
Claims unpaid	\$ 308,314
Unpaid claims adjustment expenses	5,063
Premiums received in advance	49,016
General expenses due or accrued	44,278
Amounts due to parent, subsidiaries and affiliates	100,714
Total liabilities	\$ 507,385
 Gross paid in and contributed surplus	 2,499,643
Unassigned funds (surplus)	<u>(364,422)</u>
Total capital and surplus	<u>2,135,201</u>
Total liabilities, capital and surplus	<u>\$ 2,642,586</u>

**AMERICAN HEALTH PLAN OF UTAH, INC.
INCOME STATEMENT**

for the Year Ended December 31, 2021

	<u>Current Year</u>
Member Months	<u>576</u>
Net premium income	<u>\$ 1,514,222</u>
Total revenues	1,514,222
 Hospital/medical benefits	 1,035,204
Prescription drugs	77,122
Claims adjustment expenses	62,463
General administrative expenses	<u>668,627</u>
Total underwriting deductions	<u>1,843,416</u>
Net underwriting gain or (loss)	(329,194)
Net investment income earned	<u>9,304</u>
Net income (loss)	<u>\$ (319,890)</u>

AMERICAN HEALTH PLAN OF UTAH, INC.
RECONCILIATION OF CAPITAL AND SURPLUS

2020 and 2021

	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ 0	\$ 2,460,510
Net income	(39,133)	(319,890)
Change in net deferred income tax	8,929	68,315
Change in nonadmitted assets	(8,929)	(73,733)
Capital Changes: Paid in	2,499,643	(325,308)
Capital and surplus, December 31, current year	<u>\$ 2,460,510</u>	<u>\$ 2,135,202</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2021, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on financial statement items as of December 31, 2021, as a result of the examination.

SUBSEQUENT EVENTS

There were no significant current events noted by the exam team.

ACKNOWLEDGEMENT

Malis Rasmussen, CFE, SPIR, MSA, Chief Examiner, supervised the examination. She joins the undersigned in acknowledging the assistance and cooperation extended during the examination by officers and representatives of the Company.

Respectfully submitted,

Cambria Shore

Cambria Shore, CFE, APIR, MSA
Examiner-In-Charge
Utah Insurance Department